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492 Foodservice Mart

Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman, Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.
Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 21 May 21, 1990

NEWS BRIEFS

Arby's to unveil new concepts, bids for pizza

ATLANTA — Arby's Inc. is set to launch tests of two new concepts and is negotiating to buy the small Nunzio's Express pizza chain in a drive to diversify beyond its 2,250-unit roast beef sandwich chain.

Arby's plans to open Roadhouse Ribs, a full-service, stand-alone barbecue concept, in Cleveland this July. Frankie's Starlight Grill, a '50s-theme concept offering typical soda fountain fare, such as hot dogs and hamburgers, is slated to open about the same time in a Cleveland shopping mall. Both test units are located in converted Beef Corral outlets.

Meanwhile, Arby's is trying to buy Albuquerque, N.M.-based Nunzio's Express, a one-minute drive-thru pizza concept owned by Frank, Nick and Tony Casale. An initial offer for the concept was rejected by the Casales, Arby's president Frank Belatti confirmed, adding, "We're still negotiating."

"We're trying some different things; we're still out there shopping," Belatti indicated. "It's part of our long-term strategy to give franchisees other alternatives in markets where there are a lot of Arby's."

Food cost inflation slows; sales growth softens

WASHINGTON — Wholesale food costs rose in April by the smallest year-to-year increase logged thus far in 1990, while restaurant sales growth softened after two months of strong gains, according to government reports.

The producer price index, the Bureau of Labor Statistics' monthly tally of wholesale prices, reported that finished consumer foods rose 4.7 percent in April in annually unadjusted comparisons.

In March and February wholesale food prices rose 4.9 percent and 6.1 percent, respectively, in year-to-year comparisons.

The Census Bureau's monthly retail sales report, meanwhile, showed that sales at eating and drinking places climbed 5 percent over those of April 1989 in unadjusted comparisons.

April's annual rate of growth pales compared with the 6.8-percent sales gain recorded in March and the 5.9-percent sales increase noted in February.

Church's rolls Foot-Long Chicken Sandwich systemwide

JEFFERSON, La. — Church's Fried Chicken, a subsidiary of Al Copeland Enterprises Inc., has launched a Foot-Long Chicken Sandwich systemwide.

The new sandwich, which was originally tested in the New Orleans market, consists of two 6-inch breaded and fried chicken filet patties served on a roll with lettuce, pickles and flavored mayonnaise.

The permanent addition to the Church's menu, selling for $1.99, is available in all 375 franchised and 756 company-owned stores.

The new menu item is the first addition to the Church's menu since being acquired by Al Copeland Enterprises Inc. in March 1989.

California bill seeks tableware inspections

SACRAMENTO, Calif. — California lawmakers are considering a bill that would require regular inspections of the ceramic and enamel-coated tableware used in restaurants and sold by retailers to ensure that those products do not leach lead at unsafe levels.

Ingestion of lead can cause health problems and is known to be harmful to a child's developing brain and nervous system.

The proposed law was prompted by concerns that the U.S. Food & Drug Administration's lead-leaching standards are not restrictive enough and by concerns that the FDA is lax in its testing for lead in tableware.

The bill's sponsor says recent tests of tableware in San Francisco restaurants and stores found at least 21 samples that exceeded federal lead-leaching standards.

If passed in its most recent form, the bill would empower the state Department of Health Services to seize and destroy unsafe tableware. The measure would also require the agency to develop lead-leaching standards that are "more protective" than the existing federal guidelines.

Manhattan McD offers bagels

NEW YORK — In a nod to local preferences, a franchised McDonald's unit here has added bagels to its breakfast menu.

Banners festooning the unit, on West 57th Street, proclaim that the doughy rounds are "baked in our own ovens." The bagels are available with butter, for 85 cents, or cream cheese, for $1.25.

The burger giant, once a stickler for menu uniformity, has been permitting franchisees to buttress the chain's core listing with a number of regional favorites. Units in the Midwest, for instance, have featured a fish-fry platter. Restaurants in Texas have been offering a breakfast taco.

A Texas licensee was also permitted to test fried-chicken-on-the-bone, but that effort was discontinued.

McDonald's recently expanded its chainwide breakfast menu through the addition of apple bran muffins and cold cereals.

Minnesota passes wine bottle law

MINNEAPOLIS — Minnesota has passed a law that permits restaurant patrons to take home an opened bottle of wine if they fail to finish the whole thing with their meal.

The legislation was introduced and shepherded into law by the Minnesota Licensed Beverage Association, which asserted that the measure would discourage drunken driving. The measure removes the incentive to finish a whole bottle of wine before driving home, MLBA lobbyists argued.

Under the law, which took effect on May 5, restaurant patrons who buy a bottle of wine to drink with their meal can recork the container and leave with a partially full bottle. However, if the consumer is leaving the site in a car, the wine vessel has to be stored in the vehicle's trunk.

Taco Bell rolls pita-based taco

IRVINE, Calif. — Taco Bell has introduced a 79-cent "Pocket Taco" in a pita bread shell at its 3,100 units nationwide.

The item contains the ground beef, lettuce and Cheddar cheese of the chain's standard 59-cent taco recipe as well as diced tomato and sour cream. Adaptation of the pouchlike Middle Eastern pita as a spill-proof taco container is the chain's first use of the bread product, which was popularized by Jack in the Box's highly successful Fajita Pita line.

Taco Bell spokesman Elliot Bloom said the Pocket Taco rollout, supported with television commercials, was scheduled to be the company's last new-product launch this year. A breakfast line is scheduled for introduction in 1991.

Vie de France launches line of sous-vide products

MCCLEAN, Va. — Vie de France, the French-owned bakery and restaurant company based here, has launched a sous-vide line of products.

Prepared in its newly constructed 30,000-square-foot plant in Alexandria, the sous-vide items will be both used in the company's own units and sold to other hotels and restaurants. The company's first major use of the product within its restaurants will be in its new 200-seat café in National Airport in Washington, D.C. About 45 percent of the menu is expected to be made up of sous-vide items.

Some of the hot entrées include rack of lamb, red snapper with tarragon sauce, steak au poivre and boneless center cut of pork with sweet and sour sauce.

Vie de France's sous-vide line currently includes 23 selections, although the number is expected to increase to 60 in two months.

FINANCIAL NEWS

Copeland struggles under debt from Church's takeover

by Peter O. Keegan

JEFFERSON, La. — Trapped in a stormy sea of debt and pounded by waves of increasingly large loan payments, Al Copeland is struggling 14 months after buying Church's chicken chain.

Copeland, chairman of Al Copeland Enterprises Inc., which operates and franchises more than 1,900 Popeyes and Church's fried-chicken restaurants, is battling to reduce the company's debt load — a result of the $445 million in loans he secured to buy Church's in March 1989.

Al Copeland and Al Copeland Enterprises chief financial officer, Bucky Kilbourne, declined to comment.

Faced with operational problems, the collapse of the junk bond market and his inability to quickly sell Church's units to franchisees, Copeland has refinanced his loans to reduce interest expenses, which are reportedly more than $150,000 a day.

As of Dec. 31, 1989, the debt stood at $404.6 million. Copeland borrowed $445 million from Merrill Lynch and the Canadian Imperial Bank of Commerce to finance the $392 million purchase of Church's.

In its April 5 10-K filing, the company reported an annual 1989 loss of $35.8 million, compared with net earnings of $2.6 million for the year ended Oct. 30, 1988.

By some indications, the company emerged as a rapidly growing enterprise, the annual filing showed. Revenues quadrupled, to $414.7 million, for the year, while the company's asset value soared nearly 700 percent, to $584.3 million.

Moreover, Church's units converted into Popeyes experienced an 80 percent jump in average unit volume, according to the company's financial statement.

Al Copeland

Paying $55.6 million in interest payments wiped out profit and left the company with the loss.

But paying $55.6 million in interest payments wiped out profit and left the company with the loss.

Copeland has won another 15 months to pay Merrill Lynch the outstanding $140 million he owes on a $173 million bridge loan. Originally, that loan was scheduled to be paid off on March 21, but Copeland didn't make the deadline.

Copeland intended to pay off a large chunk of the bridge loan payment with junk bonds, but the instability of the junk bond market forced him to look elsewhere for financing.

In February, Merrill Lynch attempted to put together a private placement, a package of junk-bond-type notes that are sold to sophisticated institutional investors.

Copeland is reportedly still trying to negotiate for $110 million in private placement notes, similar to junk bonds, carrying a five-year maturation date and a 15.5-percent interest rate, but he could not come up with anything solid by the March deadline.

Instead he renegotiated the loan with Merrill Lynch — while continuing his effort to refinance the bridge loan and a portion of its bank financing.

Terms of the renegotiation state that the bridge loan matures on June 30, 1991. Relatedly, the loan's interest rate has been reduced from 18.73 percent to 18 percent.

A clause also states that, "if certain conditions are met, the maturity date will be automatically extended to March 21, 1995." The filing did not state what those conditions might be.

In addition to the bridge loan, Copeland faces a massive $285 million term loan secured from the Canadian Imperial Bank of Commerce. That loan helped pay down the bridge loan and pay off an initial CIBC tender loan of $225 million.

According to the Securities and Exchange Commission filing, initial installments on the term loan, which now stands at $258 million, have been changed.

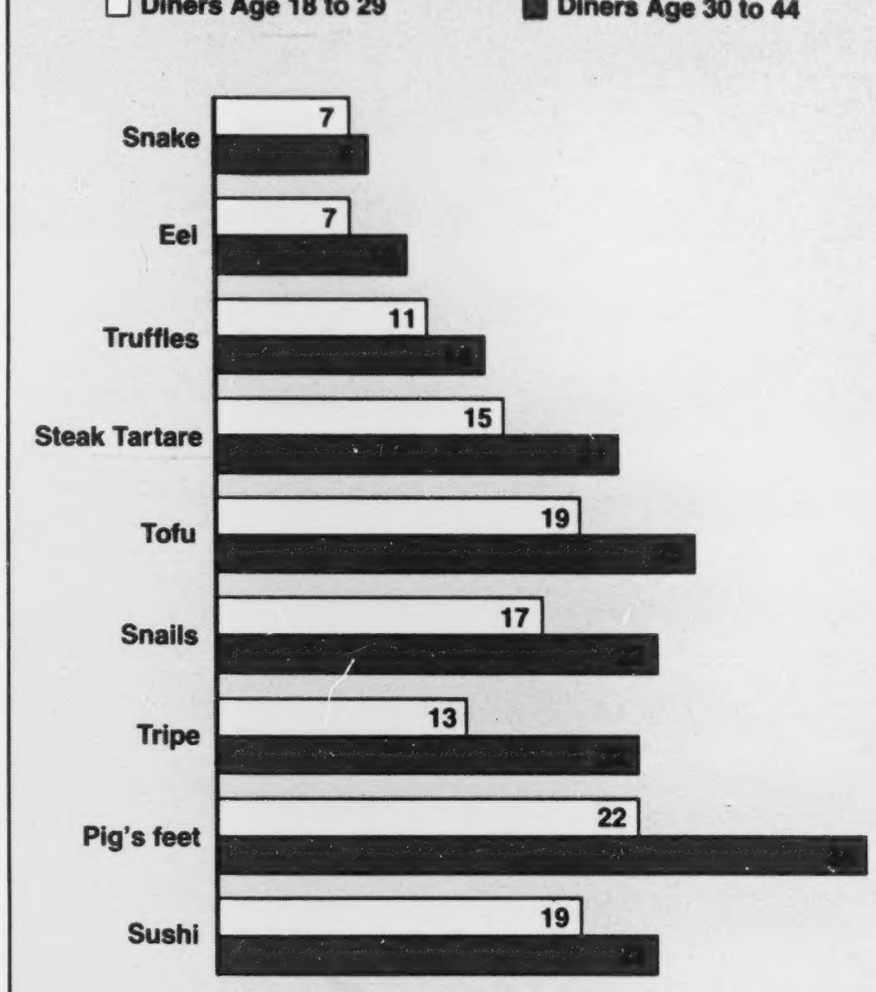
The second payment, due on Sept. 21, 1990, has been changed from $15 million to $7.5 million. The $7.5 million that was deferred from the 1990 payment has been added to the last payment of $48 million, due on Sept. 21, 1993,

*(See **COPELAND**, page 171)*

FACT FILE

Older diners have tried more exotic foods than younger diners

(percent of adults who have tried the following foods)



Source: The Roper Organization, New York.

FINANCIAL DIGEST

Pepsico earnings up 39%

PURCHASE, N.Y. — Pizza Hut retained its crown as the Pepsico restaurant group's biggest profit generator, but Kentucky Fried Chicken equaled its sister operation's rate of profit growth in the first quarter, posting one of its best quarterly performances in years.

Pepsico's restaurant group's earnings jumped 39 percent worldwide, to $91 million, on a 22-percent sales increase, to $1.3 billion, for the quarter ended March 24.

Kentucky Fried Chicken overcame a sustained period of lethargy to tie sister chain Pizza Hut's percent of growth with a 37-percent leap in profit, to $23.5 million, on a 15-percent rise in sales, to $322.7 million. Comparable-store sales rose 5 percent as a result of increased customer visits, successful promotions and new products.

Taco Bell enjoyed the highest rate of earnings growth with a 48-percent rise, to $16.4 million, on sales of $356.3 million, a 27-percent increase — gains the company attributed to increased customer traffic and margin improvement.

The Pizza Hut division turned in a 23-percent increase in sales, to $633.5 million, with earnings in excess of $51.1 million, stimulated, the company said, by unit expansion with delivery capability.

Sysco's 3rd-Q profits rise 27 percent

HOUSTON — Citing a real sales growth of 9 percent, the Sysco Corp. said third-quarter earnings jumped 27 percent, to $28.5 million, on a 9-percent sales increase, to $1.9 billion, for the quarter ended April 30.

For the first nine months, sales totaled $5.6 billion, or 12 percent more than volume that had been recorded through the third quarter of fiscal 1989. Net income was $93.8 million, a 23-percent increase when compared with the $76.1 million earned the prior year.

John F. Woodhouse, who is Sysco's chairman and its chief executive officer, explained that the company's internal measure of annualized food price inflation had remained at slightly less than 3 percent during the quarter, as a result of the lingering effects of the severe December weather, which limited the supplies of some products.

Sysco also reported that a major new facility in Los Angeles has been completed and consolidation of the two companies serving that market was concluded before the end of the quarter. Sysco's two Pittsburgh companies are in the final states of merging operations into a recently constructed distribution center and a new facility in Phoenix. Ariz., is scheduled to be fully operational by late May.

FOOD PRICE OUTLOOK

Pork prices head higher

by Patt Patterson

Pork prices are running almost 10 percent higher than last year's at this time and are near record highs. The reason: Farmers produced smaller numbers of litters last fall.

Over the summer prices could hit a record. However, increasing numbers of swine should be available in the fall, when supplies traditionally increase, lowering prices but probably not as much as operators would want.

Beef, on the other hand, is expected to show a seasonal decrease in price during the latter half of June or July. Feedlots placed a large number of animals on feed last fall, and they should be hitting the market during the early part of the summer. Prices are likely to hold through the end of summer, observers say.

Lamb and **mutton** supplies at the end of the first quarter were about 30 percent higher than they were a year earlier. And slaughter is leading last year's figure. But prices haven't changed much.

Frozen **cod** blocks, which are made into portions, are still in short supply, with no signs of greater volume in the near future. The price, however, has stayed fairly stable for the past few months and seems to be resisting increase.

Eggs are down about 10 percent from last year's figure at this time, and some observers believe they will slide further during the summer. **Broiler** prices are down about 20 percent from the year-ago figure. Producers hold production at a rate from 5 percent to 7 percent over last May's results.cw0

Green **coffee** bean prices have trended up since mid-winter, and Colombian beans are bringing a strong premium over Brazilian coffee. Unsettled conditions in both countries are causing the increases.

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THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

Vol. 24, No. 22 | Published every Monday by Lebhar-Friedman Inc., $3 per issue | May 28, 1990

NRN Photo

Customers place their orders at Mickey's Kitchen. Inset: General manager Michael LaRue.

Lunch is on the mouse: Disney draws crowds at Mickey's

by Richard Martin

MONTCLAIR, Calif. — Leave it to Mickey Mouse, Donald Duck and their increasingly retail-oriented bosses at Walt Disney Co. to draft plans for a lucrative, new fantasy land in the world of foodservice.

Gastronomically, Mickey and his beloved cartoon mates are best known to date for helping to feed mass quantities of calories — an estimated $506 million worth last year — to captive multitudes of the Disney faithful at theme parks and resorts on both coasts.

But Disney has now enlisted management veterans of such chains as Rusty Pelican, Burger King, Kentucky Fried Chicken and Long John Silver to fine-tune a new restaurant prototype that could evolve into a potent force in the industry's fast-food mainstream.

Mickey's Kitchen, Disney's first restaurant outside a theme park, opened here in late April to capacity crowds as half of the newest Disney Store branch, the 50th outlet in the company's fast-growing chain of mall-based gift shops. The combination fast-food cafe, Toontown diner and frozen yogurt bar is located in the huge Montclair Plaza mall, 30 miles east of downtown Los Angeles.

Disney officials said they may wait a year or more before deciding whether to expand Mickey's Kitchen into other retail branches or to develop it as a freestanding chain.

A veritable Disneyland of dining, the 6,000-square-foot restaurant has four themed

*(See **DISNEY**, page 49)*

Syndicate bids to buy Marriott restaurants

Sizzler leads group in effort to acquire 434 outlets

by Milford Prewitt

NEW YORK — Sizzler Restaurants International said it is leading a group of companies that are jointly bidding for all or some of the 434 restaurants the Marriott Corp. has for sale.

Thomas Gregory, president and chief executive officer of Sizzler, disclosed during a financial analysts conference here that Sizzler has teamed up with a "syndicate" of other companies to bid on the remains of Marriott's restaurant empire.

Gregory would not state how much the group had offered, nor would he identify the members of the group. But Metromedia, the Secaucus, N.J.-based operator of the Ponderosa and Bonanza steakhouse chains and normally competitors of Sizzler, was reportedly its partner in the deal.

The legal department of Metromedia, which handles press inquiries for the company, did not return phone calls.

Meanwhile, Marriott Corp. confirmed that Sizzler is among the bidders for its restaurants but emphasized that it was entertaining offers from "numerous parties" and that it had not narrowed the field.

"Marriott is not in active negotiations to sell its restaurants to a syndicate including Sizzler," said Terry Souers, vice president of corporate information, reading from a prepared response to Gregory's comments. "No decision to negotiate with any single party has been made."

Sizzler's previously unpublicized interest in buying Marriott's restaurants surfaced during the Lipton Research Food Service Conference at the Grand Hyatt Hotel, sponsored by Ladenburg Thalmann & Co., a Manhattan investment research firm.

Uno Corp., the Waltham, Mass.-based operator of the Pizzeria Uno chain, is separately bidding to acquire some of Marriott's restaurants as well, conference sources reported.

Pizzeria Uno declined to comment.

Marriott's Souers would neither confirm nor deny

*(See **SIZZLER**, page 4)*

Stetson tops Burger King USA

by Peter Romeo

MIAMI — Grand Metropolitan PLC has tapped Robert J. Stetson, an alumnus of the conglomerate's Pearle Optical franchise chain, to assume responsibility for Burger King's 5,400-unit domestic operation.

Stetson, 39, has also served as a high-level executive of Pizza Hut and its parent company, Pepsico, the nation's largest foodservice company.

"Bob has proven financial and management abilities as well as considerable experience in franchising and fast food," Barry Gibbons, Burger King's chief executive, said in the statement announcing the personnel change.

Stetson's promotion from chief financial officer to chief operating officer fills the void left by the departure, several months ago, of Ron Petty, who had overseen Burger King USA for several years. Neither Petty nor Grand Metropolitan wished to continue their relationship, Gibbons said at the time.

Petty served as both president and chief operating officer of Burger King's U.S. operations. The president's

*(See **STETSON**, page 49)*

INSIDE

Should suppliers operate restaurants?
Charles Bernstein/Page 21

Appetizers: The start of things to come
Focus/Page 25

Brinker back to lead MUFSO presidents panel
Page 7

Pizzeria Uno eyes retail expansion

New processing plant speeds production

by Paul Frumkin

BOSTON — After quietly marketing a retail pizza product in New England supermarkets for the past two years, Pizzeria Uno is gearing up to expand that side of its business.

PIZZERIA UNO RESTAURANT & BAR

The 74-unit casual restaurant chain is acquiring a 6,500-square-foot processing plant in the Boston suburb of Methune that will allow it to step up production as well as expand its fresh deep-dish pizza line, said Craig Miller, Pizzeria Uno's president and chief operating officer.

Miller said the company should close the deal by the first week in June.

Previously, Pizzeria Uno had been offering only a fresh Chicago-style deep-dish cheese pizza — its signature item. The acquisition of the

*(See **PIZZERIA**, page 49)*

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Subscription rate: Food-service operators and wholesalers/distributors, one year $29.50; 2 years $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, schools) and all others: $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the first Monday in July and the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices.

POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Dept., Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include label.

Vol. 24, No. 22 May 28, 1990

NEWS BRIEFS

Houston waiter wins settlement in AIDS case

HOUSTON — A waiter fired by a restaurant three years ago was the victim of AIDS discrimination, a Houston federal jury has determined.

Ronald Gardner, formerly a waiter with the Rainbow Lodge here, was awarded $60,000 in back wages dating from his April 1987 dismissal from the restaurant.

In a separate matter the judge also awarded Gardner $10,500 because the restaurant failed to advise him of his option to extend his insurance after he left.

The lawsuit, which received an expedited hearing because of Gardner's medical condition, alleged violations of the Texas Commission on Human Rights Act, protecting handicapped persons, and federal law related to an employee's right to receive benefits.

The restaurant maintained Gardner was fired because of chronic lateness and violations of restaurant policy concerning "overtips" or overcharging patrons.

Industry lobbies to preserve communicable diseases bill

WASHINGTON — The foodservice industry lobbied intensely last week to preserve legislation permitting restaurateurs to move staffers with communicable diseases into positions that do not call for the handling of food.

The so-called Chapman Amendment was appended to the version of the Americans With Disabilities Act passed by the House in the third week of May. However, parliamentary procedure provided opponents with an opportunity to rescind the provision a week later.

The National Restaurant Association and the Foodservice and Lodging Institute lobbied aggressively to preserve the controversial amendment. Officials argued that the measure was needed to alleviate consumers' fears about contracting AIDS or other communicable diseases through food.

However, research has proved that AIDS cannot be contracted through food or casual contact.

The ADA was drafted in an attempt to rid public places and job sites of features that impede disabled Americans.

Hepatitis traced to contaminated cold cuts

NORTHFIELD, Ill. — An outbreak of at least 65 confirmed cases of hepatitis A has been traced to contaminated sliced roast beef or shredded turkey breast purchased from a Dominick's Finer Foods deli case in one of the chain's stores.

The Cook County Department of Public Health based that conclusion on interviews with the victims, said Marguerite Adelman, department representative. Tests confirmed that at least two store employees were infected with the virus, but the department could not conclude that those workers caused the epidemic.

Following a meeting with the health department earlier this month, Dominick's management closed the entire store overnight, disposed of all ready-made foods from the deli and the salad bar and sanitized all food-handling equipment. The store reopened the next morning with employees from other stores while the original workers were being tested for hepatitis A.

"Dominick's acted very responsibly," Adelman said.

Oregon lawmakers pass workers comp reforms

SALEM, Ore. — Oregon lawmakers approved changes in the state's workers compensation insurance system that restaurateurs say could ultimately lower premiums or at least keep future increases at a manageable level.

"These are major reforms," Michael McCallum, Oregon Restaurant Association spokesman, said of the changes.

McCallum said the need for workers compensation reform was obvious because Oregon employers pay the eighth-highest premiums while their disabled workers receive the 40th-lowest benefits.

April menu prices hit six-month high

WASHINGTON — Menu prices rose in April by the largest margin in six months, outstripping the year-ago tally by 5 percent and bringing the inflation rate closer to the price increases clocked at grocery stores, the Bureau of Labor Statistics reported.

The bureau's monthly release of the consumer price index showed that in unadjusted year-to-year comparisons, food at home, or grocery store prices, climbed 6.2 percent in April.

The difference between the growth rates of menu prices and grocery costs was the smallest in nearly two years. For instance, in January the food-at-home index rose 8.1 percent vs. 4.5 percent for the food-away-from-home measure.

Despite the increases in both food yardsticks, economists and government officials viewed the consumer price index in April as evidence that inflation was moderating.

White House backs higher fines for OSHA violations

WASHINGTON — The White House has thrown its support behind legislative proposals that would triple the fines levied on employers who violate the Occupational Safety and Health Administration's workplace safety rules.

The initiative would also regard willful violations that result in employees' deaths as felonies. Currently, those infractions are treated as misdemeanors.

Under legislation proposed by Sen. Frank Lautenberg, D-N.J., employers could be fined as much as $3,000 for safety-code infractions and as much as $30,000 for willful violations. The penalties are currently capped at $1,000 and $10,000, respectively.

LA water police cite restaurants

LOS ANGELES — The city water department's new "Drought Busters" squad has begun citing restaurants for serving unrequested water, putting teeth into a 2-year-old conservation ordinance aimed at cutting usage by 10 percent.

All businesses and households in Los Angeles risk having their service cut to a 1-gallon-a-minute flow for repeat violations or suspended for 48 hours after a fourth infraction. Initial warning citations require follow-up inspections.

Calif. operators look for relief from liquor tax

SACRAMENTO — Restaurateurs could win some relief from the controversial Special Occupational Tax related to liquor, even if a proposal by President George Bush to shift responsibility for the tax to wholesalers and producers is scrapped by Congress.

The Special Occupational Tax, an obscure tax on businesses that sell liquor, among other things, received widespread attention last year after the Bureau of Alcohol, Tobacco & Firearms began an aggressive collection campaign that saw thousands of businesses billed for delinquent taxes. Many restaurateurs, who claimed they had never heard of the tax or received a request for payment, were outraged by penalties and interest that in some cases dated back 10 years and amounted to thousands of dollars.

If Congress drops Bush's proposal on account of pressure brought by alcohol producers and wholesalers, two other legislative measures are pending that could lessen the financial impact of the tax on operators.

Congressman Leon Panetta, D-Calif., has introduced HR 3556, which would reduce the amount of the tax from $250 to $165 a year and forgive back taxes, penalties and interest before January 1989, and Congressman Paul Kanjorski, D-Pa., has introduced HR2285, a measure to impose a three-year statute of limitations on the back taxes, interest and penalties.

FINANCIAL NEWS

A tale of three C-Stores: Slim profits, big losses and Ch. 11

by Milford Prewitt

One filed for bankruptcy, one lost nearly $70 million for the quarter and one, posting a slim profit, may be on the verge of a turnaround.

That's the description of the convenience store industry's three largest operators, Southland Corp., Circle K and National Convenience Stores, as two of them struggle for survival while the third boasts that its hard days are over.

Fulfilling what it has long threatened it would do if its creditors refused to accept its complicated restructuring plan, Circle K, the second-largest convenience store operator, has filed for protection under Chapter 11 of the U.S. bankruptcy code.

Since early March the 4,700-unit Circle K has been hammering out a junk bond swap to help relieve the company of the $1.1 billion in debt it incurred during an aggressive expansion drive under former chairman Karl Eller. He resigned two weeks ago after he was stripped of most of his management responsibilities.

In its filing documents Circle K listed liabilities of $1.6 billion and assets of $1.94 billion.

The company had presented its lenders and creditors with a plan to swap $510 million in debt for stock or cash. But the company failed to win the support of its lenders and creditors and sought creditor protection through bankruptcy.

In a statement Circle K told its employees and management that it would ask its key vendors to keep its stores supplied. The company said its was forced to file bankruptcy when some of its lenders reneged on a "standstill agreement," in which they had agreed to defer all principal and interest payments and waive any defaults.

Meanwhile, segment leader Southland Corp., operator of the 7-Eleven chain, reported a narrowing in its chronic quarterly loss pattern, noting a $69.4 million gain on revenues of $1.94 billion for its first quarter, ended March 31. The revenues represented a 2-percent increase. A year ago the company lost $169 million.

For its fourth quarter, ended December, Southland claimed losses over $1 billion and an annual loss of $1.3 billion.

> Analysts link the troubles of the convenience-store field to the rapid and as yet unchecked glut of gasoline operators who are doing a better job than veterans in the field.

Like Circle K, the Dallas-based Southland Corp. is straining under a $1.8 billion debt load linked to management's $5 billion leveraged buyout of the company in 1987.

Ironically, Southland Corp.'s net loss came on an extraordinary credit of $52 million, representing a tax benefit stemming from the company's sale of its 50-percent stake in Citgo Petroleum Corp.

In a further irony, the cashing out of Citgo Petroleum comes when the convenience store field is losing market share to gasoline service stations that have perfected convenience store merchandising and inventory techniques.

Indeed, analysts link the troubles of the convenience store field to the as-yet-unchecked glut of gasoline operators who are doing a better job than the veterans in the field.

As a general rule of thumb, convenience stores draw about 15 percent to 20 percent of annual sales from fast foods and other food services, according to the National Convenience Store Association.

Since going private in December 1987, Southland has repaid $1.59 billion of its senior bank loans, the company reported.

Among the big three convenience store operators, National Convenience Stores, the Houston-based operator of 1,094 Stop N Go convenience stores, overcame a year-ago loss of $7.4 million to report a thin profit of $383,000 for its third quarter, ended March 31.

Revenues were up 4 percent, to $249.3 million.

The profit gain, however, came on the heels of a $6.6 million infusion of cash from a stock exchange offer with shareholders. When earnings from operations, therefore, are tallied, the company lost $6.2

(See C-STORES, page 41)

FOOD PRICE OUTLOOK

Grain crop outlook is favorable

by Patt Patterson

The outlook for grain this year is good.

The central Midwestern states have had enough rainfall, so the winter **wheat** crop is expected to be very good.

Farmers' **corn** and **soybean** intentions in those states are for normal or slightly larger crops. That means feed prices should be lower this year than last, and **meat** prices should reflect some of that drop.

The Dakotas, however, are still dry, and some of the surrounding states are not in too good a shape, and that could put a floor under grain and meat price declines.

Greater acreage in **leaf lettuces** — romaine, butter, green leaf and red leaf — has been planted in the Salinas Valley this spring, and prices are at low levels for this time of the year.

Shipments of **iceberg lettuce** have increased from California and New Mexico. Prices are down from late April's.

Fresh **broccoli** and **cauliflower** prices were moving up at presstime.

Peas for processing may be up in volume this year.

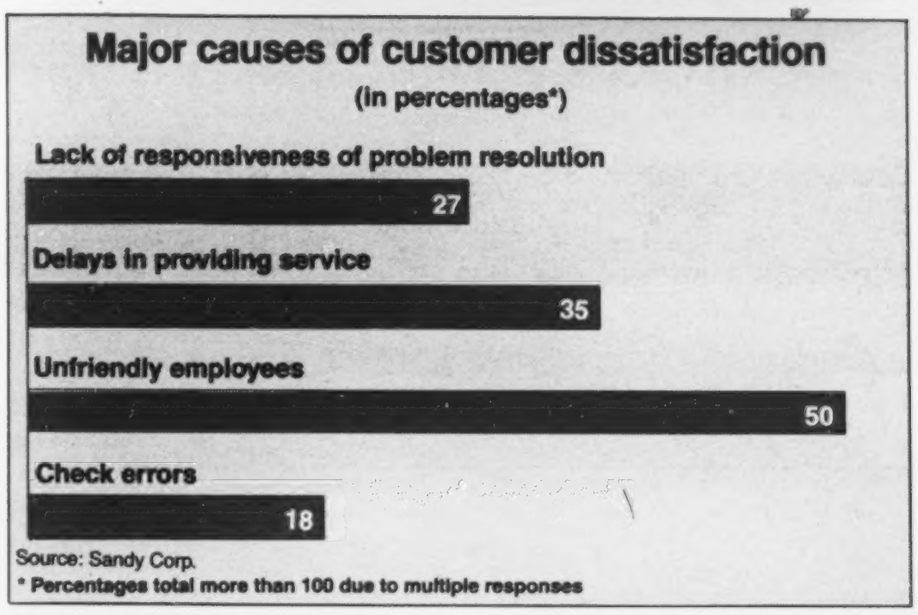
The Middle Atlantic states has had wet conditions, and the crop is expected to go over budget. In Wisconsin, on the other hand, rainfall is way under schedule, and although planting is up, prospects depend upon rain, since most of the crop is not irrigated.

Hong Kong has been picking up some of the slack in imported **mushrooms**, with China out of the picture since last October.

Now there are unconfirmed reports that Hong Kong mushrooms may get the axe from the Food and Drug Administration.

Domestic canners have pushed output to the limit but are not keeping up with demand.

FACT FILE



Source: Sandy Corp.
* Percentages total more than 100 due to multiple responses

FINANCIAL DIGEST

National Pizza's net income jumps 49%

PITTSBURG, Kan. — National Pizza Co. reported a 49-percent increase in annual net income, to $14.7 million, on a 40-percent spurt in revenues, to $198.3 million, for its fiscal year ended March 27.

Fourth-quarter net income also jumped 49 percent, to $3.9 million, on revenues of $65.3 million, a 74-percent increase.

Sales in comparable units were up 10 percent for the year and increased 13 percent for the quarter.

Skipper's, the Bellevue, Wash.-based quick-serve seafood chain National bought in late November, generated revenues of $27 million. From a profit standpoint, however, Skipper's contribution was minimized by interest and pretax adjustments linked to the acquisition.

Skipper's comparable-store sales increased 4 percent over the volume for the same time period last year.

Low sales, high costs cited for Consul loss

MINNEAPOLIS — Consul Restaurant Corp., a Chi-Chi's franchisee based here, blamed slow winter traffic and higher food costs for a $674,000 loss in its third quarter ended Feb. 28.

Revenues for the period rose 9 percent, to $20.4 million.

Consul said it lost $574,000 from operations and tacked on another $100,000 to cover a court judgment against the company stemming from a lawsuit over a closed Texas restaurant. The company has appealed.

Revenues for the nine-month period also rose 9 percent, to $64.8 million, with a net loss of $268,000, vs. a $411,000 loss in the year-ago period.

Despite the absence of profits, the company's revenues continued to grow, stimulated in part by the expansion of its menu and unit count. During the quarter the company converted a former Wendy's location into Chi-Chi's el Pronto!, a quick-service restaurant.

Along with 42 full-service Chi-Chi's restaurants, Consul operates eight quick-service Chi-Chi's el Pronto! and one Magnolia's Seafood restaurant.

Max & Erma's 1st-Q net drops 19 percent

COLUMBUS, Ohio — Max & Erma's, citing bad winter weather, higher food costs and and a year-ago tax break, said net income fell 19 percent in the first quarter, to $255,000, despite a 21-percent rise in revenues, to $8.7 million.

For the period ended Feb. 18, Max & Erma's, a 14-unit casual-themed restaurant operator in the Midwest, reported a 7-percent gain in net income before taxes, to $387,000. The company noted that in the year-ago period it enjoyed a $107,000 carryforward tax benefit.

Max & Erma's chairman and chief executive Todd Barnum said the sales boost came despite a decline in liquor sales. Same-store sales averages jumped 4.5 percent in the quarter, he said, the 14th consecutive quarter of same-store sales gain.

Meanwhile, Max & Erma's stock has been taking a beating on Wall Street, and at least one analyst has lowered his investment rating of the stock from buy to hold.

In recent trading Max & Erma's shares closed at $5.50, down from a first-quarter trading average of $7.

Servicemaster to rebuy company shares

DOWNERS GROVE, Ill. — Service Master L.P., a diversified conglomerate that also supplies foodservice to 273 clients in health care and education, has been given the go-ahead by its board of directors to repurchase $12.5 million worth of outstanding partnership shares.

Service Master, based here, has a total of about 31.6 million partnership shares outstanding, a company spokeswoman said.

In addition to being held in reserve for possible acquisitions, the repurchased shares will also be used for the employee stock option plan and employee retirement program.